

AUDITED FINANCIAL STATEMENTS

SILVER GROVE SCHOOL DISTRICT

SILVER GROVE, KENTUCKY

JUNE 30, 2013

SILVER GROVE SCHOOL DISTRICT

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SILVER GROVE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Silver Grove Board of Education
Silver Grove, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Silver Grove School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise The Silver Grove School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; the state compliance requirements prescribed by the Kentucky State Committee for School District Audits, *Appendix I of the Independent Auditor's Contract - Audit Extension Request* and *Appendix II of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Due to the nature of the revenues of the Activity Funds, it was not practical to satisfy myself with respect to such revenues beyond the amounts recorded as received.

Opinions

In my opinion, except for the effect if any, of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Silver Grove School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Silver Grove School District's basic financial statements. The combining and individual nonmajor fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 25, 2013, on my consideration of The Silver Grove School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Silver Grove School District's internal control over financial reporting and compliance.



SILVER GROVE INDEPENDENT PUBLIC SCHOOL DISTRICT - SILVER GROVE/KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013

As management of The Silver Grove Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The beginning general fund cash balance for the District was \$263,346, a decrease from fiscal year 2012.

The district remains committed to increasing starting teacher salaries to follow the trends in the state and to stay competitive with local districts.

The General Fund had \$2,256,523 in revenue, which primarily consisted of the state program (SEEK), local property, and motor vehicle tax revenue. Excluding inter-fund transfers, there were \$2,347,727 in General Fund expenditures.

Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. Our current bond, issued in 2004, has a current debt value of \$915,000 and will complete in May, 2024. Our current bond, issued in June, 2011, has a current debt value of \$540,000 and will complete in June, 2031. In May, 2012 the District issued a bond issue for \$975,000. This will refinance the 2004 issue, paying it off by May, 2014. This bond has a current debt value of \$940,000. In October, 2012 the District issued another bond issue for \$550,000. It will complete in October, 2032.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by 2.326 million as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding.

The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2013

Assets	
Current Assets	\$ 1,239,235
Non-current Assets	3,160,828
Total Assets	\$ 4,400,063
Liabilities	
Current Liabilities	\$ 164,713
Non-current Liabilities	1,909,813
Total Liabilities	\$ 2,074,526
Net Position	
Investment in capital assets (net of debt)	\$ 1,132,292
Restricted	918,544
Unreserved Fund Balance	274,701
Total Net Position	\$ 2,325,537

Comments on Budget Comparisons

The District's total revenues for the fiscal year ended June 30, 2013, net of interfund transfers, were \$3,330,439. This includes \$550,000 from the October, 2012 bond issue.

The total cost of all programs and services was \$3,287,742 net of debt service.

General fund budget expenditures to actual varied significantly in instruction. When contributions for/on behalf are adjusted, expenditures were \$48,963 over budget.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2013.

Revenues :	
Local revenue sources	\$ 1,113,107
State revenue sources	968,916
Federal Revenue	253,550
Contributions on behalf	444,866
Bond Proceeds	550,000
Total revenues	3,330,439
Expenses :	
Instruction	1,760,891
Student Support Services	87,814
Instructional Support	83,718
District Administration	318,076
School Administration	155,830
Plant Operations	224,190
Student Transportation	69,106
Community Support	33,267
Facilities Acquisition & Construction	525,419
Debt Service	190,002
Capitalized Lease Obligation	9,485
Deferred Charges	19,946
Total expenses	3,477,744
Revenues in Excess (Deficit) of Expenses	\$ (147,305)

General Fund Revenue

The majority of revenue was derived from state funding (33.1%) and local taxes (46.2%).

School Allocation

Regular Instruction accounts for 61.0% of the school level expenditures.

Other Allocations

Central support services expenditures were Transportation 2.9% and Maintenance & Operations 8.3%.

BUDGETARY IMPLICATIONS FOR FISCAL YEAR 2013 - 2014

In Kentucky, the public school fiscal year is July 1 - June 30; other programs, i.e. certain federal programs operate on a different fiscal calendar, but are reflected in the district's overall budget.

By statute, the budget must have a minimum 2% contingency. The district adopted a 2013-14 Working Budget with \$49,329 in contingency (2.6%). The beginning cash balance for the 2013-14 fiscal year is \$222,909. Significant Board actions that impact the 2013-14 fiscal year finances include: continuation of a 401K match program for our employees (up to 1% of gross pay).

Also, we are exploring several major addition programs/grants to our schools:

- 1) Carol B. White Grant Program (Wellness Alliance Physical Education Program) PEP Activities - All PEP activities will be focused to help students meet standards for nutrition and physical education.
- 2) Nutrition Activities
 - a. Students will understand that proper nutrition is essential to growth and development (KY Big Idea: Nutrition, NHES standard 1)
 - b. Students will understand that resources are available to assist in making nutritional choices (KY Big Idea: Nutrition, NHES standard 3)
 - c. Nutrition coaching will be provided for food service staff and nutrition teachers.
 - d. Improved student experiences to make healthy choices and put knowledge to work: Youth councils, Introduction of new foods, Enrichment experiences/Wellness field trips, Targeted enrichment activities, Quarterly nutrition staff trainings, and Assessments with youth risk behavior survey.
- 3) Toyota Bornlearning Academy

Silver Grove School received a \$2,500 grant from United Way of Greater Cincinnati. Ultimately the grant is funded by Toyota to provide a Toyota Bornlearning Academy at Silver Grove School. Toyota Bornlearning Academy utilizes everyday moments to assist parents of birth to five year olds in boosting their child or grandchild's school readiness. It is a series of six monthly workshops on various monthly topics from routines to literacy. The program series concludes with a graduation presentation for series participants. Each workshop begins with a family meal. After dinner, parents remain in the library and their children are taken to the preschool room to play and partake in other organized activities. At the end, families are reunited. Parents or caregivers leave each workshop with something to take home and use with their child to enhance development. The funding received through the grant is used for food, supplies, prizes, and resources for parents.

We have attempted to be conservative in our fiscal year 2013-14 budget in order to prepare for projected state revenue shortfall.

Questions regarding this report should be directed to the Superintendent (859) 441-3873 or by mail at 101 West Third Street, Silver Grove, KY, 41085.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,119,003	\$ (1,158)	\$ 1,117,845
Accounts receivable:			
Taxes - current	4,137	-	4,137
Intergovernmental - federal	16,763	-	16,763
Intergovernmental - state	-	11,504	11,504
Inventories	-	2,378	2,378
Total current assets	1,139,903	12,724	1,152,627
Noncurrent assets			
Capital assets	6,491,124	29,022	6,520,146
Less: accumulated depreciation	(3,336,247)	(23,071)	(3,359,318)
Total noncurrent assets	3,154,877	5,951	3,160,828
Total assets	4,294,780	18,675	4,313,455
Deferred outflows of resources			
Discount on bonds - net	39,448	-	39,448
Bond issuance costs - net	47,160	-	47,160
Total deferred outflows of resources	86,608	-	86,608
Total assets and deferred outflows of resources	<u>\$ 4,381,388</u>	<u>\$ 18,675</u>	<u>\$ 4,400,063</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 9,896	\$ -	\$ 9,896
Deferred revenue	36,094	-	36,094
Current portion of bond obligations	110,150	-	110,150
Current portion of capitalized lease obligation	8,573	-	8,573
Total current liabilities	164,713	-	164,713
Noncurrent liabilities			
Noncurrent portion of bond obligations	1,894,850	-	1,894,850
Noncurrent portion of capitalized lease obligation	14,963	-	14,963
Total noncurrent liabilities	1,909,813	-	1,909,813
Total liabilities	2,074,526	-	2,074,526
Net position			
Invested in capital assets, net of related debt	1,126,341	5,951	1,132,292
Restricted for:			
Debt service	887,943	-	887,943
Accumulated unpaid sick leave benefits	29,520	-	29,520
Capital Project Funds	(11,643)	-	(11,643)
Food Service	-	12,724	12,724
Unrestricted	274,701	-	274,701
Total net position	2,306,862	18,675	2,325,537
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,381,388</u>	<u>\$ 18,675</u>	<u>\$ 4,400,063</u>

The accompanying notes are an integral part of the financial statements.

FUNCTIONS/PROGRAMS

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 222,909	\$ 19,794	\$ -	\$ 876,300	\$ 1,119,003
Accounts receivable:					
Taxes - current	4,137	-	-	-	4,137
Intergovernmental - federal	-	16,763	-	-	16,763
Total assets	<u>\$ 227,046</u>	<u>\$ 36,557</u>	<u>\$ -</u>	<u>\$ 876,300</u>	<u>\$ 1,139,903</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 9,433	\$ 463	\$ -	\$ -	\$ 9,896
Deferred revenue	-	36,094	-	-	36,094
Total liabilities	9,433	36,557	-	-	45,990
Fund balances					
Restricted for:					
Debt service	-	-	-	887,943	887,943
Capital project funds	-	-	-	(11,643)	(11,643)
Committed to:					
Accumulated unpaid sick leave benefits	29,520	-	-	-	29,520
Unassigned:	188,093	-	-	-	188,093
Total fund balances	<u>217,613</u>	<u>-</u>	<u>-</u>	<u>876,300</u>	<u>1,093,913</u>
Total liabilities and fund balances	<u>\$ 227,046</u>	<u>\$ 36,557</u>	<u>\$ -</u>	<u>\$ 876,300</u>	<u>\$ 1,139,903</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balance per fund financial statements	\$ 1,093,913
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	3,154,877
Deferred outflows of resources are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.	86,608
Certain liabilities (such as bonds payable, capital lease obligations, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	<u>(2,028,536)</u>
Net position for governmental activities	<u><u>\$ 2,306,862</u></u>

The accompanying notes are an integral part of the financial statements.

SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
From local sources					
Taxes					
Property	\$ 994,986	\$ -	\$ -	\$ 44,073	\$ 1,039,059
Motor vehicle	48,630	-	-	-	48,630
Earnings on investments	1,339	-	-	2,436	3,775
Other local revenues	18,907	2,736	-	-	21,643
Intergovernmental - state	747,795	105,336	-	42,712	895,843
Intergovernmental - federal	-	253,550	-	-	253,550
On behalf payments	444,866	-	-	73,073	517,939
Bond proceeds	-	-	550,000	-	550,000
Total revenues	2,256,523	361,622	550,000	162,294	3,330,439
EXPENDITURES					
Instruction	1,432,127	328,764	-	-	1,760,891
Support services:					
Student	88,164	(350)	-	-	87,814
Instruction staff	80,958	2,760	-	-	83,718
District administrative	317,327	749	-	-	318,076
School administrative	155,830	-	-	-	155,830
Plant operation and maintenance	194,164	-	-	30,026	224,190
Student transportation	69,106	-	-	-	69,106
Facilities acquisition and construction	-	-	525,419	-	525,419
Community service activities	566	32,701	-	-	33,267
Debt service	-	-	-	190,002	190,002
Capitalized lease obligation	9,485	-	-	-	9,485
Deferred charges	-	-	19,946	-	19,946
Total expenditures	2,347,727	364,624	545,365	220,028	3,477,744
Excess (deficit) of revenues over expenditures	(91,204)	(3,002)	4,635	(57,734)	(147,305)
Other financing sources (uses)					
Operating transfers in	50,666	3,002	88,535	116,929	259,132
Operating transfers out	(3,002)	-	(50,666)	(205,464)	(259,132)
Total other financing sources (uses)	47,664	3,002	37,869	(88,535)	-
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(43,540)	-	42,504	(146,269)	(147,305)
Fund balance, July 1, 2012	261,153	-	(42,504)	1,022,569	1,241,218
Fund balance, June 30, 2013	\$ 217,613	\$ -	\$ -	\$ 876,300	\$ 1,093,913

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in total fund balances per fund financial statements	\$ (147,305)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation and amortization expense exceeds capital outlays for the year.	330,967
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but, are reductions of liabilities in the statement of activities.	85,000
Capitalized lease obligation	8,280
Deferred Charges - October, 2012 Bond Issue	19,946
October, 2012 Bond Issue	<u>(550,000)</u>
Change in net position of governmental activities	<u>\$ (253,112)</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

ASSETS

Current assets

Cash and cash equivalents	\$ (1,158)
Accounts Receivable	11,504
Inventories	<u>2,378</u>

Total current assets 12,724

Noncurrent assets

Capital assets	29,022
Less: accumulated depreciation	<u>(23,071)</u>

Total noncurrent assets 5,951

Total assets \$ 18,675

LIABILITIES AND NET POSITION

Net position

Invested in capital assets, net of related debt	\$ 5,951
Restricted for Food Service	<u>12,724</u>

Total net position 18,675

Total liabilities and net position \$ 18,675

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES

Lunchroom sales	\$ 20,081
On behalf payments	<u>18,246</u>
Total operating revenues	38,327

OPERATING EXPENSES

Salaries and wages	75,368
Materials and supplies	63,705
Other operating expenses	13,582
Depreciation	<u>1,312</u>
Total operating expenses	<u>153,967</u>

OPERATING INCOME (LOSS)	(115,640)
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NON-OPERATING REVENUES

Federal grants	112,227
State grant	<u>1,331</u>
Total non-operating revenues	<u>113,558</u>

Change in net position	(2,082)
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Net position, July 1, 2012	<u>20,757</u>
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Net position, June 30, 2013	<u><u>\$ 18,675</u></u>
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The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Lunchroom sales	\$ 20,081	
	<u>20,081</u>	\$ 20,081

Expenses

Salaries and Wages	57,122	
Materials and supplies	66,083	
Other operating expenses	<u>13,582</u>	
		<u>136,787</u>

NET CASH USED IN OPERATING ACTIVITIES	(116,706)
--------------------------------------------------	-----------

CASH FLOWS FROM FINANCING ACTIVITIES

Government grants	<u>102,054</u>
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NET CASH PROVIDED BY FINANCING ACTIVITIES	102,054
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Fixed Assets	<u>(2,308)</u>
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NET CASH USED IN INVESTING ACTIVITIES	<u>(2,308)</u>
--------------------------------------------------	----------------

DECREASE IN CASH	(16,960)
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Cash at beginning of year	<u>15,802</u>
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CASH AT END OF YEAR	<u><u>\$ (1,158)</u></u>
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**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss)	\$ (115,640)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation	1,312
Changes in operating assets and liabilities:	
Increase in Inventories	<u>(2,378)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (116,706)</u></u>

The accompanying notes are an integral part of the financial statements.

SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From local sources				
Taxes				
Property	\$ 1,066,521	\$ 1,066,521	\$ 994,986	\$ (71,535)
Motor vehicle	44,909	44,909	48,630	3,721
Tuition and fees	15,200	15,200	-	(15,200)
Earnings on investments	1,000	1,000	1,339	339
Other local revenues	-	-	18,907	18,907
Intergovernmental - state	736,895	736,895	747,795	10,900
On behalf payments	-	-	444,866	444,866
Total revenues	1,864,525	1,864,525	2,256,523	391,998
EXPENDITURES				
Instruction	1,048,611	1,048,611	1,432,127	383,516
Support services:				
Student	87,597	87,597	88,164	567
Instruction staff	42,502	42,502	80,958	38,456
District administrative	328,812	328,812	317,327	(11,485)
School administrative	171,873	171,873	155,830	(16,043)
Plant operation and maintenance	204,291	204,291	194,164	(10,127)
Student transportation	60,728	60,728	69,106	8,378
Community Services	750	750	566	(184)
Contingency	110,837	110,837	-	(110,837)
Capitalized lease obligation	11,110	11,110	9,485	(1,625)
Total expenditures	2,067,111	2,067,111	2,347,727	280,616
Excess (deficit) of revenues over expenditures	(202,586)	(202,586)	(91,204)	111,382
Other financing sources (uses)				
Operating transfers in	-	-	50,666	50,666
Operating transfers out	(2,435)	(2,435)	(3,002)	(567)
Total other financing sources (uses)	(2,435)	(2,435)	47,664	50,099
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(205,021)	(205,021)	(43,540)	161,481
Fund balance, July 1, 2012	205,021	205,021	261,153	56,132
Fund balance, June 30, 2013	\$ -	\$ -	\$ 217,613	\$ 217,613

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
REVENUES	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Intergovernmental - state	\$ 87,207	\$ 87,207	\$ 105,336	\$ 18,129
Intergovernmental - federal	237,619	237,619	253,550	15,931
Other local revenues	-	-	2,736	2,736
Total revenues	<u>324,826</u>	<u>324,826</u>	<u>361,622</u>	<u>36,796</u>
EXPENDITURES				
Current				
Instruction	263,245	263,245	328,764	65,519
Support services				
Student	-	-	(350)	(350)
Instructional staff	32,039	32,039	2,760	(29,279)
Community services	31,227	31,227	32,701	1,474
District Administrative	750	750	749	(1)
Total expenditures	<u>327,261</u>	<u>327,261</u>	<u>364,624</u>	<u>37,363</u>
Excess (deficit) of revenues over expenditures	<u>(2,435)</u>	<u>(2,435)</u>	<u>(3,002)</u>	<u>(567)</u>
Other financing sources (uses)				
Operating transfers in	2,435	2,435	3,002	567
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>2,435</u>	<u>2,435</u>	<u>3,002</u>	<u>567</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CONSTRUCTION FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Bond Proceeds	<u>\$ 550,000</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>	<u>\$ -</u>
Total revenues	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>-</u>
EXPENDITURES				
Current				
Facilities acquisition and construction	550,000	550,000	525,419	(24,581)
Deferred charges	<u>-</u>	<u>-</u>	<u>19,946</u>	<u>19,946</u>
Total expenditures	<u>550,000</u>	<u>550,000</u>	<u>545,365</u>	<u>(4,635)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>4,635</u>	<u>4,635</u>
Other financing sources (uses)				
Operating transfers In	-	-	88,535	88,535
Operating transfers Out	<u>-</u>	<u>-</u>	<u>(50,666)</u>	<u>(50,666)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>37,869</u>	<u>37,869</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>42,504</u>	<u>42,504</u>
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>(42,504)</u>	<u>(42,504)</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
REPORTING ENTITY

The Silver Grove Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Silver Grove School District (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Silver Grove Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Silver Grove School District Finance Corporation - On September 14, 1992, The Silver Grove, Kentucky, Board of Education resolved to authorize the establishment of the Silver Grove School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Silver Grove Board of Education also comprise the Corporation's Board of Directors.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Basis of Presentation

Government-wide Statements - The statement of net position and the statement of activities display information about the financial activities of the overall District, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The funds of the financial reporting entity are described below:

Governmental Fund Types

The *General Fund* is the primary operating fund of the District and is always classified as a major fund per GASB Statement No. 34. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan. (See reference to Program Review 96-DFIN-157).

The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.

The Construction Fund accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the district.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of commodities from the USDA.

Fiduciary Fund Type (includes agency and trust funds)

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Basis of Accounting (Continued)

Nonexchange transactions, in which the District received value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is not recognized until there is an enforceable legal claim. This legal claim does not arise until the taxes become delinquent, which is the fiscal year after the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grant and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

All business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and GAAP are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to susceptible to accrual (GAAP).

Differences between the budgetary accounting method and GAAP are not material.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided. An encumbrance at June 30, 2013, has been set up for accumulated unpaid sick leave benefits.

Cash and Cash Equivalents - The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. The Proprietary Fund inventory is recorded at the lower of cost, determined by first-in first-out ("FIFO") method, or market value.

Deferred Charges

Costs related to revenue bond issues are capitalized as deferred charges and amortized over the life of the bond issue.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Government Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Accrued Liabilities and Long-Term Obligations (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that a portion of fund equity is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE B - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments".

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE B - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE
(CONTINUED)

The government-wide financial statements split the District's program between business-type and governmental activities.

NOTE C - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the district's cash and cash equivalents was \$1,126,366 and the bank balance was \$1,194,979. Of the total cash balance, \$238,433 was covered by Federal depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the district's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

General Fund, cash and cash equivalents at June 30, 2013 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
The Bank of Kentucky - Checking	<u>\$ 298,323</u>	<u>\$ 222,909</u>
	<u>\$ 298,323</u>	<u>\$ 222,909</u>

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease and bonded debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Fiscal Court of Campbell County and City of Silver Grove, Kentucky.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT (CONTINUED)

The original amount of the issue, the issue date and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
November 1, 1992	\$925,000	4.25% - 6.20%
May 1, 2004	\$1,325,000	2.70% - 4.90%
June 1, 2011	\$580,000	2.00% - 4.375%
March 1, 2012	\$975,000	1.60% - 2.45%
October 1, 2012	\$550,000	1.25% - 3.25%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Campbell County Fiscal Court and the City of Silver Grove to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1992, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The tables below set forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The March 1, 2012 bonds are being issued to (i) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to pay the accrued interest and refund in advance of maturity on May 1, 2014 certain of the outstanding Silver Grove School District Revenue Bonds, Series of 2004 dated May 1, 2004, maturing May 1, 2015 and thereafter; and, (ii) pay the cost of the Bond issuance expenses. The Board has determined that the plan of refunding the Defeased Bonds will result in considerable cost savings to the Silver Grove School District and is in the best interest of the District. The 2004 Bonds May 1, 2012 through May 1, 2014 will not be defeased and will remain payable under the terms of the prior Lease.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

2004 Issue:

SILVER GROVE SCHOOL DISTRICT			KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013-2014	\$ 51,622	\$ 34,256	\$ 13,378	\$ 8,709	\$ 107,965
2014-2015	56,073	32,139	13,927	8,161	110,300
2015-2016	55,446	29,616	14,554	7,534	107,150
2016-2017	59,791	27,121	15,209	6,879	109,000
2017-2018	64,107	24,430	15,893	6,194	110,624
2018-2024	442,434	74,369	112,566	18,699	648,068
	<u>\$ 729,473</u>	<u>\$ 221,931</u>	<u>\$ 185,527</u>	<u>\$ 56,176</u>	<u>\$1,193,107</u>

2011 Issue:

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2013-2014	\$ 20,000	\$ 20,494
2014-2015	25,000	20,094
2015-2016	25,000	19,594
2016-2017	25,000	19,094
2017-2018	25,000	18,294
2018-2031	420,000	138,017
	<u>\$ 540,000</u>	<u>\$ 235,587</u>

March 1, 2012 Issue:

SILVER GROVE SCHOOL DISTRICT			KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013-2014	\$ 10,617	\$ 13,813	\$ 4,383	\$ 3,777	\$ 32,590
2014-2015	66,620	13,643	18,380	3,707	102,350
2015-2016	66,326	12,577	18,674	3,413	100,990
2016-2017	71,027	11,516	18,973	3,114	104,630
2017-2018	70,724	10,379	19,276	2,811	103,190
2018-2024	452,158	35,950	122,842	9,680	620,630
	<u>\$ 737,472</u>	<u>\$ 97,878</u>	<u>\$ 202,528</u>	<u>\$ 26,502</u>	<u>\$1,064,380</u>

October 1, 2012 Issue:

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2013-2014	\$ 25,150	\$ 14,114
2014-2015	20,825	13,827
2015-2016	21,500	13,562
2016-2017	22,380	13,288
2017-2018	23,480	13,002
2018-2033	436,665	106,690
	<u>\$ 550,000</u>	<u>\$ 174,483</u>

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE F - ACCUMULATED UNPAID SICK LEAVE BENEFITS

The district currently has a policy in place concerning accumulated unpaid sick leave benefits. The district will pay as unpaid sick leave benefits, an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013 there are two certified employees with 27 or more years of experience.

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2013, consisted of the following:
 NONE

NOTE H - CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Land	\$ 144,500	\$ -	\$ -	\$ 144,500
Land Improvements	8,800	-	-	8,800
Building and improvements	5,253,974	532,976	-	5,786,950
Technology equipment	344,946	3,044	-	347,990
Vehicles	105,605	-	-	105,605
General equipment	97,279	-	-	97,279
Totals at historical cost	5,955,104	536,020	-	6,491,124
Less: accumulated depreciation				
Land Improvements	2,970	440	-	3,410
Building and improvements	2,691,445	165,883	-	2,857,328
Technology equipment	312,131	20,012	-	332,143
Vehicles	69,271	8,637	-	77,908
General equipment	61,694	3,764	-	65,458
Total accumulated depreciation	3,137,511	198,736	-	3,336,247
Governmental Activities Capital Assets - Net	\$ 2,817,593	\$ 337,284	\$ -	\$ 3,154,877
	Balance	Additions	Deductions	Balance
Business-Type Activities	July 1, 2012	Additions	Deductions	June 30, 2013
Technology equipment	\$ 2,085	\$ -	\$ -	\$ 2,085
General equipment	24,629	2,308	-	26,937
Totals at historical cost	26,714	2,308	-	29,022
Less: accumulated depreciation				
Technology equipment	2,085	-	-	2,085
General equipment	19,674	1,312	-	20,986
Total accumulated depreciation	21,759	1,312	-	23,071
Capital Assets - Net	\$ 4,955	\$ 996	\$ -	\$ 5,951

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE I - PROPERTY TAXES

The District's ad valorem property tax is levied each September 30, on the assessed value listed as of the prior January 1, for all real and personal property located in the District. Taxes are due on January 2, and become delinquent after January 31, following the September 30, levy date.

The property tax rates assessed for the year ended June 30, 2013 were \$1.288 per \$100 valuation for real property, \$1.288 per \$100 valuation for business personal property, and \$.896 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gas.

NOTE J - RETIREMENT PLANS

All certified employees are covered under the Kentucky Teachers Retirement System (KTRS). For employees hired before July 1, 2008, funding for the Plan is provided through payroll withholdings of 10.855% and State contributions of 13.105% of salaries. For employees hired after July 1, 2008, funding for the Plan is provided through payroll withholdings of 10.855%, and State contributions of 14.105% of salaries. The matching contributions are paid by the Federal program for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. For employees hired before September 1, 2008, funding for the plan is provided through payroll withholdings of 5.00% and a district contribution of 19.55% of salaries. For employees hired after September 1, 2008, funding for the plan is provided through payroll withholdings of 6.00% and a district contribution of 19.55% of salaries.

The District's total payroll for the year was \$1,740,473. The payroll for employees covered under KTRS was \$1,481,643 and for CERS was \$258,830.

The contribution requirement for CERS for the year ended June 30, 2013 was \$63,937 which consisted of \$50,601 from the District and \$13,336 from the employees.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE J - RETIREMENT PLANS, CONTINUED

The contribution requirement for KTRS for the year ended June 30, 2013 was \$358,848 which consisted of \$174,770 from the State of Kentucky, \$160,832 from the employees, and \$23,246 from federal programs.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers.

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2013, comprehensive annual financial reports.

As the Board is only one of several employers participating in the Plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the Plan assets.

NOTE K - CONTINGENCIES

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE L - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Worker's compensation insurance.

NOTE M - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier.

The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund.

In addition, the District continues to carry commercial insurance for all other risks of loss, including the coverages listed on page 49 of the supplemental data. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE N - DEFICIT OPERATING/FUND BALANCES

The General Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$43,540). The FSPK Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$88,431). The Seek Capital Outlay Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$19,964). The Debt Service Funds had operations that resulted in a current year deficit of revenues over expenditures of (\$37,874). The Proprietary Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$2,082). The School Activity Funds had operations that resulted in a current year deficit of revenues over expenditures of (\$11,997).

NOTE O - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). The District has notified all terminated employees of available continuing insurance coverage as mandated by Cobra.

NOTE P - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 3,002
Construction Fund	General Fund	50,666
Capital Outlay Fund	Debt Service Fund	8,702
Building Fund	Construction Fund	88,535
Building Fund	Debt Service Fund	67,917

NOTE Q - COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2013, as follows:

Year ending June 30:

2014	\$ 7,440
2015	<u>3,100</u>
Total Minimum Rentals	<u>\$ 10,540</u>

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE R - ANNUAL FINANCIAL REPORT DIFFERENCES

In its Annual Report - Financial required by the Kentucky Department of Education (the "Report"), the Board recorded the receipt of certain receivables and the payment of certain payables subsequent to year ended as cash receipts and disbursements for the year ended June 30, 2013. In the accompanying financial statements, these amounts are included in accounts receivable and accounts payable.

The following is a reconciliation of the June 30, 2013, fund balance reported by the board to the Kentucky Department of Education with that shown in the accompanying financial statements:

	General Fund	Special Revenue Funds
Fund Balance, as reported to the Department of Education	\$ 183,751	\$ (6,888)
Adjustments		
Cash adjustment	890	-0-
Accounts receivable	1,431	-0-
Deferred revenue	-0-	6,888
Other	(792)	-0-
Accumulated unpaid sick leave benefits	<u>32,333</u>	<u>-0-</u>
 Fund Balance, as reported in the accompanying financial statements	 <u>\$ 217,613</u>	 <u>\$ -0-</u>
 Reserved for encumbrances	 \$ 29,520	 \$ -0-
Unreserved	<u>188,093</u>	<u>-0-</u>
	<u>\$ 217,613</u>	<u>\$ -0-</u>

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The following is a schedule of the changes in the components of the fund balance of the general fund during the fiscal year ended June 30, 2013:

	<u>Reserved for Encumbrances</u>	<u>Unreserved Designated</u>	<u>Unreserved Undesignated</u>	<u>Total Fund Balance</u>
Balance at beginning of year	\$ 25,251	\$ -0-	\$ 235,902	\$ 261,153
Excess of revenues and other financing sources over expenditures and other financing uses	<u>4,269</u>	<u>-0-</u>	<u>(47,809)</u>	<u>(43,540)</u>
Balance at End of Year	<u>\$ 29,520</u>	<u>\$ -0-</u>	<u>\$ 188,093</u>	<u>\$ 217,613</u>

The following is a reconciliation of the cash balance as reported in the accompanying financial statements with that reported to the Kentucky Department of Education:

	<u>General Fund</u>	<u>Special Revenue</u>
Funds		
Cash Balance per Report to Kentucky Department of Education	\$ 222,019	\$ 19,794
Cash adjustment	<u>890</u>	<u>-0-</u>
Cash Balance, as reported in the accompanying financial statements	<u>\$ 222,909</u>	<u>\$ 19,794</u>

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE S - CAPITALIZED EQUIPMENT LEASE

The Board entered into a capitalized equipment lease agreement as of January 1, 2006 with the Kentucky Interlocal School Transportation Association (KISTA). The lease is for a new school bus. The lease expires in March, 2016. Depreciation of assets under capitalized leases is included in depreciation expense for 2013.

The following is the minimum lease obligation for the capitalized lease:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013-2014	\$ 8,573	\$ 905	\$ 9,478
2014-2015	7,335	584	7,919
2015-2016	<u>7,628</u>	<u>305</u>	<u>7,933</u>
	<u>\$ 23,536</u>	<u>\$ 1,794</u>	<u>\$ 25,330</u>

NOTE T - ON-BEHALF PAYMENTS

For the year ended June 30, 2013 total payments of \$463,112 were made for vocational education, life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. These revenues and expenditures are not budgeted by the District. \$444,866 was recorded in the General Fund and \$18,246 was recorded in the Food Service Fund.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE U - GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE
DEFINITIONS

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District had \$876,300 restricted in nonmajor funds, (\$11,643) restricted for capital projects and \$887,943 restricted for debt service.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2013: \$29,520 for sick leave.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. No amounts have been assigned to encumbrances at June 30, 2013. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

SILVER GROVE SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>FSPK FUND</u>	<u>SEEK FUND</u>	<u>DEBT SERVICE FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
ASSETS AND RESOURCES:				
Cash and Cash equivalents	<u>\$ (11,643)</u>	<u>\$ -</u>	<u>\$ 887,943</u>	<u>\$ 876,300</u>
TOTAL ASSETS AND RESOURCES	<u>\$ (11,643)</u>	<u>\$ -</u>	<u>\$ 887,943</u>	<u>\$ 876,300</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES:				
RESTRICTED FOR:				
Capital Project Funds	(11,643)	-	-	(11,643)
Debt Service	<u>-</u>	<u>-</u>	<u>887,943</u>	<u>887,943</u>
TOTAL FUND BALANCES	<u>(11,643)</u>	<u>-</u>	<u>887,943</u>	<u>876,300</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ (11,643)</u>	<u>\$ -</u>	<u>\$ 887,943</u>	<u>\$ 876,300</u>

SILVER GROVE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2013

	FSPK FUND	SEEK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 44,073	\$ -	\$ -	\$ 44,073
Earnings on investments	-	-	2,436	2,436
Intergovernmental-State	23,948	18,764	-	42,712
On Behalf Payments	-	-	73,073	73,073
TOTAL REVENUES	68,021	18,764	75,509	162,294
EXPENDITURES:				
Debt Service	-	-	190,002	190,002
Plant Operation and Maintenance	-	30,026	-	30,026
TOTAL EXPENDITURES	-	30,026	190,002	220,028
Excess (deficit) of revenues over expenditures	68,021	(11,262)	(114,493)	(57,734)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	116,929	116,929
Operating transfers out	(156,452)	(8,702)	(40,310)	(205,464)
TOTAL OTHER FINANCING SOURCES (USES):	(156,452)	(8,702)	76,619	(88,535)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(88,431)	(19,964)	(37,874)	(146,269)
Fund balance July 1, 2012	76,788	19,964	925,817	1,022,569
Fund balance June 30, 2013	<u>\$ (11,643)</u>	<u>\$ -</u>	<u>\$ 887,943</u>	<u>\$ 876,300</u>

**SILVER GROVE SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL DEBT SERVICE FUNDS
JUNE 30, 2013**

	<u>2004 Bond Issue</u>	<u>2011 Bond Issue</u>	<u>March 1, 2012 Bond Issue</u>	<u>October 1, 2012 Bond Issue</u>	<u>Total Debt Service Funds</u>
ASSETS					
Cash and cash equivalents	<u>\$ 6</u>	<u>\$ 2</u>	<u>\$887,935</u>	<u>\$ -</u>	<u>\$ 887,943</u>
Total assets	<u><u>\$ 6</u></u>	<u><u>\$ 2</u></u>	<u><u>\$887,935</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 887,943</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Reserved for debt service	<u>6</u>	<u>2</u>	<u>887,935</u>	<u>-</u>	<u>887,943</u>
Total fund balances	<u>6</u>	<u>2</u>	<u>887,935</u>	<u>-</u>	<u>887,943</u>
Total liabilities and fund balances	<u><u>\$ 6</u></u>	<u><u>\$ 2</u></u>	<u><u>\$887,935</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 887,943</u></u>

SILVER GROVE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	1992 Bond Issue	2004 Bond Issue	2011 Bond Issue	March 1, 2012 Bond Issue	October 1, 2012 Bond Issue	Total Debt Service Funds
REVENUES						
Earnings on investments	\$ -	\$ -	\$ -	\$ 2,436	\$ -	\$ 2,436
On behalf payments	4,345	13,926	40,894	8,160	5,748	73,073
Total revenues	4,345	13,926	40,894	10,596	5,748	75,509
EXPENDITURES						
Current						
Bonds paid	10,000	55,000	20,000	15,000	-	100,000
Interest paid	310	45,220	20,894	17,830	5,748	90,002
Total expenditures	10,310	100,220	40,894	32,830	5,748	190,002
Excess (deficit) of revenues over expenditures	(5,965)	(86,294)	-	(22,234)	-	(114,493)
Other financing sources (uses)						
Operating transfers in	5,965	86,294	-	24,670	-	116,929
Operating transfers out	(10)	-	-	(40,300)	-	(40,310)
Total other financing sources (uses)	5,955	86,294	-	(15,630)	-	76,619
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(10)	-	-	(37,864)	-	(37,874)
Fund balance, July 1, 2012	10	6	2	925,799	-	925,817
Fund balance, June 30, 2013	\$ -	\$ 6	\$ 2	\$887,935	\$ -	\$ 887,943

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FSPK FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	FSPK Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
From local sources:			
Taxes:			
Property	\$ 46,717	\$ 44,073	\$ (2,644)
Intergovernmental - state	23,548	23,948	400
Total revenues	70,265	68,021	(2,244)
EXPENDITURES			
Land/Site Acquisitons	665	-	(665)
Debt Service	69,600	-	(69,600)
Total expenditures	70,265	-	(70,265)
Excess of revenues over expenditures	-	68,021	68,021
Other financing sources (uses)			
Operating transfers out	-	(156,452)	(156,452)
Total other financing sources (uses)	-	(156,452)	(156,452)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	(88,431)	(88,431)
Fund balance, July 1, 2012	-	76,788	76,788
Fund balance, June 30, 2013	\$ -	\$ (11,643)	\$ (11,643)

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SEEK CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	SEEK Capital Outlay Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental - state	\$ 19,200	\$ 18,764	\$ (436)
Total revenues	19,200	18,764	(436)
EXPENDITURES			
Plant Operation and Maintenance	24,712	30,026	5,314
Debt Service	14,358	-	(14,358)
Total expenditures	39,070	30,026	(9,044)
Excess (Deficit) of revenues over expenditures	(19,870)	(11,262)	8,608
Other financing sources (uses)			
Operating transfers out	-	(8,702)	(8,702)
Total other financing sources (uses)	-	(8,702)	(8,702)
Excess (Deficit) of revenues and other financing sources over expenditures and other financing uses	(19,870)	(19,964)	(94)
Fund balance, July 1, 2012	19,870	19,964	94
Fund balance, June 30, 2013	\$ -	\$ -	\$ -

SILVER GROVE SCHOOL DISTRICT
SCHOOL ACTIVITY FUNDS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	CASH BALANCES JULY 1, 2012	RECEIPTS	DISBURSEMENTS	CASH BALANCES JUNE 30, 2013	ACCOUNTS RECEIVABLE JUNE 30, 2013	ACCOUNTS PAYABLE JUNE 30, 2013	FUND BALANCES JUNE 30, 2013
Senior Fund	\$ 290	\$ 4,767	\$ 5,105	\$ (48)	-	\$ -	\$ (48)
Music Fund	126	-	-	126	-	-	126
Athletics Fund	(2,003)	6,827	4,219	605	-	-	605
Teachers Fund	510	158	295	373	-	155	218
Miscellaneous Fund	691	1,402	1,575	518	-	-	518
Yearbook	1,165	25	-	1,190	-	-	1,190
Scholarship Fund	138	3,500	2,500	1,138	-	-	1,138
Class Fees Fund	-	-	-	-	-	-	-
FBLA	152	1,722	3,397	(1,523)	-	-	(1,523)
Elementary Athletics	300	40	300	40	-	-	40
Alumni Fund	512	-	250	262	-	-	262
NKOA	18	5,200	5,192	26	-	-	26
FEA	-	-	-	-	-	-	-
Pre-School	-	-	-	-	-	-	-
Incentive	2,091	2,388	1,792	2,687	-	-	2,687
Special Needs	80	-	-	80	-	-	80
Staff Incentive	173	387	446	114	-	-	114
Art	99	-	-	99	-	-	99
Chorus	-	-	-	-	-	-	-
Computer	-	-	-	-	-	-	-
Global Issues	-	-	-	-	-	-	-
Science - Forensic	13	-	-	13	-	-	13
Science - MS	7	-	-	7	-	-	7
Health Center	119	-	-	119	-	-	119
Summer Camps	-	-	-	-	-	-	-
DPP Student	184	1,650	2,238	(404)	-	-	(404)
Maintenance Food Account	78	44	60	62	-	-	62
Field Trip	(297)	2,987	2,385	305	-	-	305
Other	17	-	-	17	-	-	17

SILVER GROVE SCHOOL DISTRICT

SCHOOL ACTIVITY FUNDS

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

	CASH BALANCES JULY 1, 2012	RECEIPTS	DISBURSEMENTS	CASH BALANCES JUNE 30, 2013	ACCOUNTS RECEIVABLE JUNE 30, 2013	ACCOUNTS PAYABLE JUNE 30, 2013	FUND BALANCES JUNE 30, 2013
Imagination Library	4,301	-	1,390	2,911	-	-	2,911
Freshman Class	92	-	-	92	-	-	92
Christmas Assistance	1	-	-	1	-	-	1
Sophomore Class	-	-	-	-	-	-	-
Volleyball	839	4,900	6,780	(1,041)	-	-	(1,041)
Golf	26	619	599	46	-	-	46
Girl's Basketball	4,415	8,599	10,699	2,315	-	-	2,315
Boy's Basketball	336	15,882	17,654	(1,436)	-	-	(1,436)
Girl's Softball	(945)	1,245	2,585	(2,285)	1,000	-	(1,285)
Boy's Baseball	-	535	3,747	(3,212)	-	-	(3,212)
Middle School	-	-	-	-	-	-	-
Spirit Wear	226	534	751	9	-	-	9
Journalism	47	-	-	47	-	-	47
Pennies for Patients	-	-	-	-	-	-	-
Junior Beta Club	-	-	-	-	-	-	-
DC Trip	-	-	-	-	-	-	-
Cross Country/Track	30	281	407	(96)	-	-	(96)
PTSCA	4,130	812	1,928	3,014	-	-	3,014
LaFarge	19	-	-	19	-	-	19
Library	1,163	-	-	1,163	-	-	1,163
Green House	810	95	302	603	-	-	603
PBIS	180	-	-	180	-	-	180
Fourth Graders	385	-	-	385	-	-	385
ERV Whitford Fund	-	10,307	10,307	-	-	-	-
TOTALS	\$ 20,518	\$ 74,906	\$ 86,903	\$ 8,521	\$ 1,000	\$ 155	\$ 9,366

SILVER GROVE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA NUMBER	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education:			
Title I Cluster:			
Title I	84.010	310000210	\$ 440
Title I	84.010	310000211	5
Title I	84.010	310000212	43,333
Title I-ARRA	84.388	410030209	90,910
			<u>134,688</u>
Special Education Cluster:			
Idea B	84.027	381000212	54,034
Idea P	84.173	380000210	11,984
Idea P	84.173	380000211	13,153
Idea P	84.173	380000212	8,624
			<u>87,795</u>
Title II-A	84.367	323000210	861
Title II-A	84.367	323000211	5,701
EDU JOBS	84.410	EJOB0010	24,505
			<u>253,550</u>
Total U.S. Department of Education			
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education/Child Nutrition Cluster:			
Cash Assistance:			
National School Lunch Program	10.555	775000212	18,627
	10.555	775000213	57,960
School Breakfast Program	10.553	776000512	8,876
	10.553	776000513	26,764
			<u>112,227</u>
Non-cash Assistance:			
National School Lunch Program	10.555	019-0204	7,918
			<u>120,145</u>
Total U.S. Department of Agriculture/Child Nutrition Cluster			
			<u>\$ 373,695</u>
Total Federal Financial Assistance			

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Silver Grove School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SILVER GROVE SCHOOL DISTRICT

INSURANCE IN FORCE

JUNE 30, 2013

Fire, Extended Coverage, Vandalism,
and Malicious Mischief:

Replacement Value

Amounts
Building and Contents

Expiration
Date

High School,
Junior High,
Elementary, and
Property in the Open

\$12,580,262

07/01/13

Liability on Driver's Training
Vehicles, School Buses, and Other Vehicles

School Buses

Combined Single Limit \$2,000,000

07/01/13

Uninsured Motorist 500,000

07/01/13

Personal Injury 20,000

07/01/13

Ford Van

Combined Single Limit \$2,000,000

07/01/13

Uninsured Motorist 500,000

07/01/13

Personal Injury 20,000

07/01/13

Worker's Compensation

Kentucky School Boards
Insurance Trust

Statutory

07/01/13

Educators' Legal Liability

Board Members, Superintendent

and All Other Employees \$1,000,000 Each Occurrence

\$1,000,000 Aggregate 07/01/13

General Liability

Comprehensive General Liability

All Employees: \$1,000,000 Each Occurrence

\$2,000,000 Aggregate

07/01/13

Fidelity Bond

Ohio Casualty Insurance Company, Treasurer's Bond from 07/01/12 to
06/30/13, Ken Ellis, Treasurer

Bonded

\$150,000

Umbrella

\$5,000,000

07/01/13

SILVER GROVE SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2013

<u>BOARD MEMBERS</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Jennifer Steidel-Jones Vice Chairperson	PO Box 47 Silver Grove, Kentucky	December 31, 2016
Tonya Batton	PO Box 506 Silver Grove, Kentucky	December 31, 2014
Melanie Pelle Chairperson	5351 Mary Ingles Highway Silver Grove, Kentucky	December 31, 2016
Melissa Garza	215 West Second Street Silver Grove, Kentucky	December 31, 2016
Sandradan Kemplin	PO Box 124 Silver Grove, Kentucky	December 31, 2014

ADMINISTRATIVE PERSONNEL

Ken Ellis, Superintendent and Secretary/Treasurer to the Board.

SILVER GROVE SCHOOL DISTRICT
GENERAL FUND-ACCOUNTS RECEIVABLE
JUNE 30, 2013

Accounts receivable as reported in the District's annual financial report to the State Department of Education Division of Finance	\$ 2,706
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Additional Accounts Receivable
Recorded Subsequent to the
Annual Financial Report:

Campbell County Sheriff	<u>\$ 1,431</u>
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Total Additions	<u>1,431</u>
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Total General Fund - Accounts Receivable	<u><u>\$ 4,137</u></u>
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SILVER GROVE SCHOOL DISTRICT
GENERAL FUND-ACCOUNTS PAYABLE
JUNE 30, 2013

Accounts payable as reported in the District's annual financial report to the State Department of Education Division of Finance	\$ 9,433
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Additional Accounts Payable Recorded Subsequent to the Annual Financial Report	<u>-0-</u>
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Total General Fund - Accounts Payable	<u>\$ 9,433</u>
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SILVER GROVE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Silver Grove School District.
2. No significant deficiencies or material weaknesses relating to the audit of the general purpose financial statements are reported.
3. No instances of noncompliance material to the general purpose financial statements of Silver Grove School District which would be required to be reported in accordance with *Governmental Auditing Standards* were noted during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of federal award programs are reported.
5. The auditor's report on compliance for federal award programs for Silver Grove School District expresses an unqualified opinion on all federal programs.
6. The audit disclosed no audit findings that the auditor is required to report under 510(a) of Circular A-133.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Silver Grove School District does not qualify as a low-risk auditee.
9. The Program tested as a major program was the Title I Cluster, CFDA Numbers 84.010 and 84.388.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS AUDIT

NONE

Michael Kadetz

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kentucky State Committee for School District Audits
Members of the Board of Education
Silver Grove School District
Silver Grove, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; the state compliance requirements prescribed by the Kentucky State Committee for School District Audits, *Appendix I of the Independent Auditor's Contract - Audit Extension Request*, *Appendix II of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Silver Grove School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise The Silver Grove School District's basic financial statements, and have issued my report thereon dated October 25, 2013. The report on the activity funds was qualified because it was not practical to satisfy myself with respect to such revenues beyond the amounts recorded as received.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered The Silver Grove School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Silver Grove School District's internal control. Accordingly, I do not express an opinion on the effectiveness of The Silver Grove School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Silver Grove School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of state compliance requirements identified in the *Independent Auditor's Contract*.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cincinnati, Ohio
October 25, 2013

Michael Kadetz

Certified Public Accountant, LLC
8044 Montgomery Road • Suite 720
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TEL (513) 794-1900 • FAX (513) 794-8073

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
Members of the Board of Education
Silver Grove School District
Silver Grove, Kentucky

Report on Compliance for Each Major Federal Program

I have audited The Silver Grove School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on The Silver Grove School District's major federal program for the year ended June 30, 2013. The Silver Grove School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for The Silver Grove School District's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the state compliance requirements prescribed by the Kentucky State Committee for School District Audits, *Appendix I of the Independent Auditor's Contract - Audit Extension Request* and *Appendix II of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Silver Grove School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for its major federal program. However, my audit does not provide a legal determination of The Silver Grove School District's compliance.

Opinion on Each Major Federal Program

In my opinion, The Silver Grove School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Other Matters

The results of my auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of The Silver Grove School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered The Silver Grove School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of The Silver Grove School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cincinnati, Ohio
October 25, 2013



Michael Kadetz

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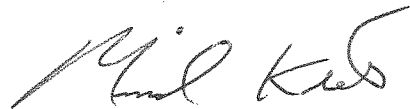
Members of the Board of Education
Silver Grove School District
Silver Grove, Kentucky

In planning and performing my audit of the basic financial statements of the Silver Grove School District as of and for the year ended June 30, 2013, I considered the district's internal control over financial reporting and compliance as a basis for designing my auditing procedures for the purpose of expressing an opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Silver Grove School District's internal control over financial reporting and compliance.

However, during my audit, I became aware of immaterial instances of noncompliance and other matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated October 25, 2013, on the basic financial statements of the Silver Grove School District.

During the past two years, a statement of deficiency was noted concerning locating paid invoices. The district's response was to be more diligent in making sure all payments had proper support and invoices were filed in an orderly manner. During my audit testing for the year ended June 30, 2013, all invoices that I attempted to find were located by me.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various district personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Cincinnati, Ohio
October 25, 2013

SILVER GROVE SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2013

- I. STATEMENT OF DEFICIENCY:** Several old reconciling items are being carried on the monthly bank reconciliation of the regular checking account.

Criteria: These old reconciling items need to be adjusted and written off.

Cause: The district is not diligent enough in its effort to maintain a "clean" bank reconciliation.

Effect: Monthly bank reconciliations are more difficult to prepare, and include old reconciling items that need to be adjusted and written off.

Recommendation: The district must adjust and write off these old reconciling items.

Management's response: The district will review the monthly bank reconciliation and adjust and write off these old reconciling items.

- II. STATEMENT OF DEFICIENCY:** Several signed teacher contracts did not agree with the salaries the teachers were actually being paid.

Criteria: Signed teacher contracts should have the correct salary the teachers are to be paid.

Cause: The signed teacher contracts were prepared using incorrect salaries.

Effect: There is always potential for issues arising if the teachers were to investigate the difference between the signed contract and amounts actually paid.

Recommendation: Teacher contracts should be reviewed to make sure they have the correct salaries. After this review, the contracts should be signed by the teachers.

Management's response: The district will review all teacher contracts more carefully and make sure all amounts are correct, before the teacher signs the contract.

SILVER GROVE SCHOOL DISTRICT
MANAGEMENT LETTER POINTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

III. STATEMENT OF DEFICIENCY: The annual financial report (AFR) did not have the correct beginning fund balance and it did not have a zero balance in revenues over expenditures, for the special revenue funds.

Criteria: The AFR must have a zero balance for beginning fund balance and revenues over expenditures for the special revenue funds.

Cause: The district is not diligent enough in its effort to maintain the special revenue funds properly.

Effect: The special revenue funds must be adjusted to properly show a zero beginning fund balance and a zero revenues over expenditures balance.

Recommendation: The special revenue funds must be properly maintained. The AFR must have a zero beginning fund balance and revenues over expenditures must equal zero for the year.

Management's response: The district will adjust the AFR to the correct balances.

IV. STATEMENT OF DEFICIENCY: The district was late in providing the auditor a listing of capital assets and depreciation taken during the year.

Criteria: The district should be able to provide the auditor with this report when field work begins.

Cause: The district is not diligent enough in its effort to maintain and update this listing.

Effect: All field work cannot be completed, and delays occur because this report has not been prepared on a timely basis.

Recommendation: The district must prepare this report on a timely basis, and have it ready for the beginning of audit field work.

Management's response: The district will take all necessary steps to ensure that the report is ready for the auditor at the beginning of field work.

STATEMENT OF CERTIFICATION

Kentucky Committee for School District Audits
Frankfort, Kentucky

The Silver Grove School District certifies that all adjustments have been entered into MUNIS and that an Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report.

SUBMITTED, 11/5/13, 2013

 Superintendent